

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

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I. Summary of Significant Accounting Policies:

A. Financial Reporting Entity Information:

The City of Norfolk (the City) was incorporated February 13, 1845, and covers an area of approximately 66 square miles. The City operates under a charter adopted February 7, 1918, which mandates a Council-Manager form of government. The City and its component units provide the following municipal services to approximately 225,700 residents, as authorized by its charter or code: public safety, highway and street maintenance, water production and quality, solid waste management, wastewater treatment, cultural and parking facilities, environmental storm water management, public health, social programs, parks and recreation, public education, public improvements, planning and zoning code enforcement, public libraries, and general administration.

For financial reporting purposes, in accordance with the requirements of Governmental Accounting Standards Board (GASB) Codification Section 2100 "Defining the Reporting Entity," the City's general-purpose financial statements include the City of Norfolk (primary government) and its component units. The component units discussed below are included in the City's financial reporting entity due to their financial relationships with the City.

B. Basis of Presentation - Fund Accounting:

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that include its assets, liabilities, fund equity, revenue and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All governmental funds and the Expendable Trust Fund are accounted for using the spending or "financial flow" measurement focus. This means that generally, only current assets and current liabilities are reflected on their balance sheets. Their operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets (fund balance).

All proprietary funds, the Nonexpendable Trust Fund and the Pension Trust Fund are accounted for on a cost-of-services or economic resources measurement focus. This focus encompasses all current and noncurrent assets and liabilities associated with the funds' activities on the respective balance sheets. The reported fund equity is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (revenue) and decreases (expenses) in equity (retained earnings). The reporting entity as presented in the financial statements consists of three broad fund categories (including blended component units), two account groups, and discretely presented component units, as follows:

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1. Governmental Fund Types

Governmental Funds account for expendable financial resources, other than those accounted for in proprietary and fiduciary funds. The governmental fund measurement focus is based upon current financial resources, determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual governmental funds are as follows:

- a. **General Fund**: The general operating fund of the City accounts for all financial transactions not required to be accounted for in other funds. The General Fund accounts for the normal recurring activities of the City, such as police, public works, general government, etc. These activities are funded by such revenue sources as general property taxes, other local taxes, permits, privilege fees and regulatory licenses, fines and forfeitures, use of money and property, charges for services, recovered costs and non-categorical aid, shared expenses and categorical aid from the Commonwealth and Federal Government.
- b. **Special Revenue Funds**: To account for the proceeds of specific revenue resources (other than expendable trusts or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The individual special revenue funds are as follows:
 - i. **Storm Water Fund**: To account for the operation of the environmental storm water management system, including maintenance of storm water drainage facilities. The costs of providing services on a continuing basis are partially financed or recovered through user charges to Norfolk residents and commercial and industrial customers.
 - ii. **Grants Fund**: To account for the receipt and disbursement of revenue from such sources as federal and state agencies, adjacent municipalities, and City matching funds and to finance special programs that may have reporting periods that do not correspond with the City's fiscal year.

Blended Entity (Part of Primary Government):

The Norfolk Community Services Board (NCSB) has between five and thirteen members appointed by the City Council and is an operating body established in accordance with state law, which on behalf of and through funding allocated by the City, provides the public community mental health, mental retardation and substance abuse programs and services made available to qualified Norfolk citizens. The City provides accounting services to the NCSB wherein all revenue collected from intergovernmental grants, City appropriations and program user fees as well as all expenditures disbursed for payroll and vendor obligations are recorded by the City in the Special Revenue Fund. The City also approves the NCSB's annual operating budget.

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- iii. **Community Development Fund:** To account for all entitlement funds received under Title I of the Housing and Community Development Act of 1974, commonly known as the Community Development Block Grant Program.
- c. **Debt Service Fund:** To account for the accumulation of resources required for and the payment of principal and interest on the current portion of general long-term obligations of the City. Revenue of this fund is provided by transfers from the General Fund and the Storm Water Fund.
- d. **Capital Projects Fund:** To account for the financial resources used for the acquisition, construction or renovation of major capital facilities of the City or the School Board (other than those financed by proprietary funds and trust funds).

2. Proprietary Fund Types

Proprietary Funds account for operations that are similar to those found in a commercial enterprise in the private sector. The proprietary fund measurement focus is on the determination of net income and capital maintenance. The individual proprietary funds are as follows:

- a. **Enterprise Funds:** To account for operations that are financed and operated in a manner similar to private business enterprises (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The individual enterprise funds are as follows:
 - i. **Water Utility Fund:** To account for the operations of the City-owned water system. The costs for providing services on a continuing basis are financed or recovered through user charges to customers. These customers include Norfolk residential and commercial customers, the U.S. Navy, municipal customers, and others outside the City.
 - ii. **Wastewater Utility Fund:** To account for the operations of the City-owned wastewater (sewer) system. The costs of providing services on a continuing basis are financed or recovered through user charges to Norfolk residential and commercial customers.
 - iii. **Parking Facilities Fund:** To account for the operations of City-owned parking facilities (garages, lots and on-street meters). The costs of providing services on a continuing basis are financed or recovered through both user charges for long-term and short-term parking facility customer use and fines for parking violations.

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- b. **Internal Service Funds**: To account for the financing of goods and services supplied to other funds of the City and other governmental units on a cost-reimbursement basis. Internal service funds have been established for and are currently used for the Storehouse and Fleet Management funds.

3. Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity as an agent for individuals, private organizations, other governments and/or other funds. These include the Expendable Trust, Pension Trust, Nonexpendable Trust and Agency funds. Nonexpendable Trust and Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since their measurement focus is on economic resources. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and are accounted for on the modified accrual basis. Because of the nature of fiduciary funds, any amounts reported in the fund balance section of the balance sheets do not represent monies appropriable by City Council. The individual fiduciary funds are as follows:

- a. **Expendable Trust Fund**: To account for monies held by the City of Norfolk as a trustee. The resources of this fund are received and subsequently expended in such functions as public works, parks and recreation and libraries.
- b. **Pension Trust Fund**: To account for the operations of the Employees' Retirement System of the City of Norfolk ("System").

Blended Component Unit:

The Employees' Retirement System of the City of Norfolk (ERS), which has a nine-member Board of Trustees appointed by the City Council, including the City Manager and Director of Finance as ex-officio members, is the administrator of a single-employer noncontributory defined benefit plan that covers substantially all employees of the City of Norfolk, excluding School Board employees covered by the Virginia Supplemental Retirement System, as authorized by Section 143(a) of the City Charter and was established and placed under the management of the Board of Trustees for the purpose of providing retirement allowances and death benefits as authorized by the provisions of Chapter 37 of the Norfolk City Code. The City makes contributions, which are combined with investment earnings of the ERS, to provide the funding for pension benefits and administrative costs.

- c. **Nonexpendable Trust Fund**: To account for perpetual care and endowed care of certain City-owned cemeteries.

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- d. **Agency Fund - Payroll Withholdings:** To account for payroll withholdings and subsequent payment to the ultimate recipient. Such items as income taxes, social security taxes and group hospitalization plan contributions flow through this custodial fund.
- e. **Agency Fund - Other:** To account for other monies held in a fiduciary capacity. Monies deposited include such items as sales, admission and food taxes to be remitted to third parties, proceeds from the sale of abandoned motor vehicles, monies held in escrow deposits for offers to purchase City property and monies held by constitutional officers in a fiduciary capacity.
- f. **Agency Fund - Commonwealth of Virginia:** To account for monies deposited by the City Treasurer into an account from which withdrawals may be made only by the Treasurer of the Commonwealth of Virginia. It is custodial in nature. Collections include such items as state income taxes and other state revenue collected by the City.

4. Account Groups

Account Groups are used to provide the accounting and reporting treatment for the general fixed assets and long-term obligations of the City except for those reported in enterprise and internal service funds. These account groups are not "funds." They measure financial position and not results of operations. Each of these account groups is described below:

- a. **General Fixed Assets Account Group:** To account for the fixed assets of the City used by general operations, i.e., nonproprietary fixed assets.
- b. **General Long-Term Debt Account Group:** To account for the long-term obligations of the City financed by general operations, i.e., nonproprietary long-term obligations.

5. Discretely Presented Component Units

- a. **The School Board of the City of Norfolk (School Board),** which has seven elected members, is the operating body that establishes the educational and financial programs and policies for the City public school system. The City levies taxes for its operation, issues bonds or enters into capital leases for its capital requirements and approves its annual operating budget. The School Board of the City of Norfolk is comprised of the School Operating Fund, the School Special Revenue Funds and the School Board Agency Fund.

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- b. The Hospital Authority of Norfolk (HAN)**, which has a nine-member Board of Commissioners appointed by City Council, is a tax-exempt, not-for-profit political subdivision of the Commonwealth created pursuant to an Agreement of Transfer dated July 1, 1988. HAN operates Lake Taylor Hospital as a long-term care facility licensed by the Virginia State Health Department to provide a continuum of patient care ranging from sub-acute hospital services to skilled nursing care. HAN is considered to be a component unit of the City's reporting entity primarily due to its financial relationship.
- c. The Norfolk Redevelopment and Housing Authority (NRHA)**, a political subdivision of the Commonwealth, was created by the City on July 30, 1940 under the provisions of the United States Housing Act of 1937. NRHA provides subsidized public housing and administers redevelopment and conservation projects within the City in accordance with State and federal legislation. The seven members of the Board of Commissioners are appointed by City Council. NRHA is responsible, through a contract with the City, for the administration of such activities as community development and urban renewal. As defined by the terms of GASB Statement No. 14 – The Financial Reporting Entity, the City does not have the right to impose its will on NRHA, as NRHA is responsible for designating its own management and developing its own operating budget for funding from sources other than City-contracted projects. NRHA contracts and executes major contracts on its own behalf. NRHA is responsible for its own fiscal matters as it maintains its own book of accounts, is audited annually by independent accountants it engages, and has authority over earnings, deficits and monies other than City contract funds. The City contracts with NRHA to complete specific projects, generally capital improvement projects. During 2000, the City paid NRHA \$ 1,506,916 for contracted project management services on ongoing projects. NRHA is considered to be a component unit of the City's reporting entity primarily due to its financial relationship.

In 1997, the City entered into a supplemental cooperation agreement with NRHA to assist in the financing and construction of the Nordstrom Store, which is the primary anchor for the MacArthur Center regional shopping mall. The store was constructed on land owned by NRHA and leased to Nordstrom, Inc. NRHA obtained a loan from a financial institution that financed the cost of construction of the Nordstrom Store, which is secured in part by ground rental payments from Taubman and store rental payments from Nordstrom. The debt is also secured by pledged assets valued at June 30, 1997 at \$33,406,316, which were owned by the City and transferred to NRHA, for purposes of providing adequate security for the debt. The control over those assets, maintenance of those assets and revenue generated from those assets remain with the City. The City also has a moral obligation, though not a legal obligation, to fund NRHA deficiencies in debt service payments, if any, subject to annual appropriation by the City. Project revenue to date, following the opening of the MacArthur Center Mall, has been and is projected to continue to be sufficient to cover any such deficiencies.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

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6. Total Columns for Primary Government on Combined Financial Statements:

The total columns on the combined statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation since interfund eliminations are not made in the aggregation of this data.

7. Comparative Data:

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the City’s financial position and operations. However, prior year totals by fund have not been presented in each of the statements since inclusion would make the statements unduly complex and difficult to read. Certain reclassifications have been made to conform prior year comparative data to current year presentations.

C. Basis of Accounting:

Basis of accounting refers to the methods used to determine when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements and to the timing of the measurements made, regardless of the measurement focus applied.

- 1. Governmental Funds** use the modified accrual basis of accounting. Under this method revenue and related assets are recorded when they become susceptible to accrual, that is, when they become both measurable and available to financial operations during the year. Real and personal property taxes are recorded as receivables when levied and billed, which corresponds with the fiscal year for which the taxes have been levied, net of allowances for uncollectible accounts. In compliance with Section 2.9, Uniform Financial Reporting Manual for Virginia Counties and Municipalities, property taxes due and collected within 45 days after June 30 are recognized as revenue; those not collected within 45 days after year-end are reported as deferred revenue. Sales and utility taxes, which are collected by the Commonwealth and the utilities, respectively, and subsequently remitted to the City, are recognized as receivables and revenue upon collection by the Commonwealth or the utilities, which is generally in the month preceding receipt by the City. Items such as license fees, permit fees and fines are recorded as revenue when received. Intergovernmental revenue, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, is recognized at the time the specific expenditures expected to be financed by this revenue are made. Revenue from general purpose grants is recognized during the entitlement period.

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Major sources of governmental funds which meet the “susceptible to accrual” criteria include the following:

- Real property taxes
- Personal property taxes
- Sales and use taxes
- Consumer utility taxes
- Revenue from the Commonwealth:
 - Shared expenses
 - Categorical aid
- Revenue from the federal government
- Environmental storm water billings

Expenditures, other than interest on general long-term obligations, are recorded as the related fund liabilities when incurred. Interest on general long-term obligations is recognized when due.

- 2. Proprietary Funds** – All the proprietary funds use the accrual basis of accounting. Revenue is recognized in the accounting period in which it is earned and expenses are recognized in the accounting period in which the related liabilities are incurred. The City’s proprietary funds adopted GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting.” In accordance with GASB No. 20, the City has elected not to apply statements and interpretations issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.
- 3. Fiduciary Funds** – The Nonexpendable Trust Fund uses the accrual basis of accounting. The Expendable Trust Fund and agency funds use the modified accrual basis of accounting. The Pension Trust Fund financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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D. Budgets and Budgetary Accounting:

An operating budget is adopted each fiscal year for the General Fund, Water Utility Fund, Wastewater Utility Fund, Parking Facilities Fund, Storm Water Special Revenue Fund, and Internal Service Funds. All funds are under formal budgetary control. In establishing the budgetary data reported in the financial statements, the City uses the following procedures:

No less than 60 days before the end of the fiscal year, the City Manager must submit to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget included proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayer comments. Then, on or before July 1, the budget is legally enacted through adoption of an ordinance. The property taxes included in the budget become a lien on real properties on July 1.

The ordinance for the annual operating budget appropriates funds by department, subject to certain conditions, for the use of the departments included in the General Fund and in all proprietary funds. Additional budgetary controls are exercised administratively, both on an appropriation unit basis over parts, all, or any combination of object categories (budgetary account groups such as: (1) personal services; (2) materials, supplies and repairs; (3) general operations and fixed charges; (4) equipment; (5) public assistance; and (6) all purpose appropriations), as well as on a line item basis over individual objects (budgetary accounts). The City Manager is authorized by the ordinance adopting the budget to amend certain object categories and individual objects through transfers. However, any revisions that alter the total appropriations must be approved in advance by City Council.

The School Board manages and controls all funds made available for public school purposes after the City approves its annual operating budget. In accordance with the Code of Virginia, the School Board has exclusive authority to expend funds within the total amounts appropriated by City Council. The budget for the School Board is prepared on a modified accrual basis.

Reconciliation of revenue and expenditures reported in accordance with GAAP and those presented in accordance with non-GAAP budgetary basis can be found on Exhibit 3. The budgets for the enterprise funds and internal service funds are prepared on a basis generally consistent with GAAP.

The accounting system is employed as a budgetary management control device to monitor the individual departments or bureaus/divisions within departments. The legal level of budgetary control is at the departmental account group level. Additional controls over funding within departmental account groups are exercised administratively and any unencumbered annual appropriations lapse at the end of the fiscal year.

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City Council may authorize supplemental appropriations to the operating budgets during the fiscal year. Budgeted amounts as reported in the financial statements represent the original appropriations, as amended by authorized transfers, and all supplemental appropriations, if any. Individual amendments to the budget were not material in relation to the original appropriations. All budget data presented in the accompanying financial statements are from the final budget for the fiscal year ended June 30, 2000.

City Council also adopts a capital improvement budget and a community development budget on a project basis. As in the case of the General Fund budget, these budgets are submitted by the City Manager, public hearings are held and the budgets are legally enacted through adoption of an ordinance. Budgets are also adopted for the Grants Fund on an individual project basis. Appropriations for these budgets do not lapse at year-end but are multi-year and continue until the purpose of the appropriation has been fulfilled. Revenue to support these appropriations may be from future anticipated receipts. Amendments to these budgets are affected by City Council action. The level of budgetary control is on a project basis with additional controls being exercised administratively, as reasonable and necessary. Since an annual budget is not prepared for these funds, a comparison of budget to actual financial statements is not presented.

As noted previously, a separate formal budget is not prepared for the Debt Service Fund. Amounts to meet annual debt service requirements for general obligation debt recorded in the General Long-Term Debt Account Group are appropriated in the General Fund. Effective budgetary control is achieved through compliance with the latter fund's administrative controls.

The Combined Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) compares the final appropriations and actual expenditures (including ous7.7e0512 scumbrances) in the General Fund and Budgeted Discretely Presented Component Units.

E. Cash Equivalents and Investments:

Investments of the Employees' Retirement System are stated at fair value. Short-term investments are recorded at cost, which approximates fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the System's fiscal year. Investments that do not have an established market are reported at estimated fair value. Purchases and sales of securities traded but not yet settled at year-end are recorded as due to broker for securities purchased and due from broker for securities sold, respectively. Other investments are stated at cost or at their fair value; these investments are reported in the accompanying financial statements as cash and cash equivalents, unless the original investment period exceeded three months, in which case they are reported as investments. Interest income is accrued as earned.

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F. Notes Receivable:

Notes receivable reported in the governmental funds represent assets which are measurable but not available to fund current expenditures and, therefore, are offset by deferred revenue. Payments on these balances will be recognized as revenue as they are received.

G. Interfund Transactions:

During the normal course of operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers.

Internal service funds record charges for services to all City departments and funds as operating revenue. All City funds record these payments to the internal service funds as operating expenditures or expenses.

The General Fund provides administrative services to enterprise funds and internal service funds. Charges for these services are treated as operating expenses by the enterprise and internal service funds and as revenue by the General Fund.

H. Inventories:

Inventories are stated at cost, using, either the first-in, first-out, or the moving average method. Inventories in the General Fund and component unit governmental funds consist of expendable supplies held for consumption for which the cost is recorded as an expenditure when acquired, i.e., the "purchase method." Reported inventories for these funds are offset by a fund balance reserve which indicates that they do not constitute currently "available expendable resources." Proprietary funds expense inventory when used.

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I. Fixed Assets:

Fixed assets used in governmental fund type operations (general fixed assets) are recorded in the General Fixed Assets Account Group. Capital outlays of governmental funds are recorded as expenditures at the time of purchase and are subsequently capitalized upon completion at historical cost for control purposes in the above account group with a corresponding increase in investment in general fixed assets. Where historical cost records are not available, assets are recorded at estimated historical cost. Gifts or donated fixed assets are recorded at their estimated fair value on the date received and infrastructure is not capitalized. In the proprietary funds, interest costs incurred on funds borrowed for construction projects are capitalized net of interest earned on the temporary investment of the unexpended portion of those funds. When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected as nonoperating revenue or expense.

The City's capitalization policy required capitalization of all individual fixed assets with a cost of \$1,000 or greater and all computer equipment regardless of cost.

Fixed assets acquired through capital lease transactions are included in the General Fixed Assets Account Group or the appropriate proprietary fund. City land, buildings and improvements other than buildings acquired prior to June 30, 1985, for which historical cost records were not available, were appraised and valued at estimated historical cost by means of accepted price indexing methodology. Fixed assets purchased by proprietary funds are stated at cost, less accumulated depreciation.

Depreciation is not provided on general fixed assets. Depreciation of fixed assets used by proprietary funds is charged as an expense against operations using the straight-line method of depreciation over the following estimated economic useful service lives:

	Enterprise Funds	Internal Service Funds
(in years)		
Building and improvements	10-75	40-50
Improvements other than buildings	10-99	15
Warehouse equipment and fixtures	-	7-10
Transmission and distribution mains	50-99	-
Service meters and meter installation	35-50	-
Pumping and other water/wastewater equipment	10-30	-
Vehicles and garage equipment	4-10	4-25
Data processing equipment	5-10	5-10
Furniture, fixtures and equipment	3-25	3-20

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J. Accrued Payroll:

Payroll costs for City employees who receive their semimonthly pay one week after month-end and certain School Board employees who work under a 9, 10 or 11 month contract paid over a 12-month period are recognized in the period in which services are rendered.

K. Deferred Revenue:

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but are not considered currently available resources.

L. Long-Term Debt:

Long-term Debt payable from future expendable available resources, such as accrued leave, Employees' Retirement System contributions, capital leases, retirees' life insurance, workers' compensation claims, landfill liabilities and general obligation bonds that will be financed from governmental funds, are accounted for in the General Long-Term Debt Account Group. Long-term liabilities of all proprietary funds are accounted for in the respective funds.

M. Accrued Leave Benefits:

In the Primary Government, vacation and sick leave accumulate monthly. Vacation leave is fully vested when earned by City employees. Sick leave does not vest for City employees; however, upon retirement, City employees receive credit for each day of accumulated sick leave toward their pension benefit. Accumulated vacation leave cannot exceed 44 days at June 30 of each year for City employees. City employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. The amount of unpaid vacation leave, including salary-related payments, accumulated by employees is accrued as an expense when incurred in the proprietary funds, which use the accrual basis of accounting. The entire unpaid liability for vacation in the governmental funds is recorded in the General Long-Term Debt Account Group.

In the Norfolk Public Schools vacation and sick leave accumulate monthly. Vacation leave is fully vested when earned by School Board employees. Upon retirement, School Board employees are paid \$20 for each day of accumulated sick leave in excess of 100 days. Accumulated vacation leave cannot exceed 50 days for School Board employees. School Board employees are paid for unused vacation leave, at their normal rate of pay, upon termination of employment. Most School Board food service employees have ten-month employment contracts and are not entitled to vacation.

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N. Fund Equity:

Customer fees for pipeline and meter installation and the cost of pipeline installed by developers are recorded as contributed capital in the Water and Wastewater Utility Funds. Amounts contributed by other funds and transfers from account groups are also reported as contributed capital in proprietary funds. Reserves are used to indicate a portion of fund balance that is not appropriable for expenditures or to identify a portion of a fund's equity as legally segregated for a specific future use. Designations of unreserved fund balances in governmental funds are established to indicate City management's tentative plans for use of financial resources in a future period.

O. Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund, Special Revenue Funds, Capital Projects Fund and Expendable Trust Fund. Encumbrances outstanding at year-end do not lapse and are reported as reservations of fund balances. Encumbrances do not constitute expenditures on a GAAP basis.

P. Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

II. Cash, Deposits and Investments:

The City maintains a cash and investments pool for all funds except the Pension Trust and the Nonexpendable Trust Funds. Each fund's portion of the pool is disclosed in the combined balance sheet as cash and cash equivalents. The cash and investments of the other funds enumerated above are held separately from the pooled City funds.

All deposits of the City are made in Council designated official depositories and are collateralized as required by the Commonwealth of Virginia. The City may also establish time deposit accounts in the form of NOW and SuperNOW accounts, money market accounts, repurchase agreements, and certificates of deposit.

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

Deposits: At June 30, 2000, the carrying amount of the City's deposits was \$ 143,188,376 and the bank balance was \$168,260,280. The entire bank balance was covered by federal depository insurance, commercial insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (Act). Of the City's deposits, \$46,034,285 was deposited with fiscal agents for matured bonds and interest payments. At June 30, 2000, the carrying amount of the School Board component units' deposits was \$8,317,077 and the bank balance was \$ 7,884,637. The entire bank balance was covered by federal depository insurance, commercial insurance or collateralized in accordance with the Act. At June 30, 2000, the component units other than School Board deposits were \$20,344,659, and the bank balance was \$21,043,036. The entire bank balance was covered by federal depository insurance, commercial insurance or collateralized in accordance with the Act. Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. If any member financial institution whose public deposits are collateralized in accordance with the requirements of the Act fails, the entire market value of the collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks.

Investments: Statutes authorize the City and the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Pension Trust Fund is authorized to invest in common stocks.

All City investments are carried at fair value as determined by quoted market prices. This statement requires certain investments to be recorded at fair value.

Investments are categorized in the following tables to give an indication of the level of credit risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its safekeeping agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or safekeeping agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or safekeeping agent, but not in the entity's name:

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

Primary Government:

	Category			Reported Value	Fair Value
	1	2	3		
U.S. government and government agency securities	\$ 47,635,273	\$ -	\$ -	\$ 47,635,273	\$ 48,220,093
Corporate bonds and debentures		-	-		
including commercial paper, classified as					
cash and short term investments	333,032,681			333,032,681	328,797,646
Common stocks	202,100,728	-	-	202,100,728	249,000,549
	<u>\$ 582,768,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>582,768,682</u>	<u>626,018,288</u>
State Street Russell 1000 Growth Fund				43,907,577	65,061,934
State Street Conservative Fund				36,794,586	129,719,893
State Street Global Advisors Bond Market Index Fund				50,100,452	51,794,066
Money market investments and certificates					
of deposits classified as cash and short-					
term investments				206,096,150	206,096,150
Virginia Aim Program				56,719,143	56,490,574
Virginia State Non-Arbitrage Program				6,204,457	6,137,057
Total				<u>\$ 982,591,047</u>	<u>\$ 1,141,317,962</u>

Component Unit – School Board:

	Category			Reported Value	Fair Value
	1	2	3		
SunTrust Capitoline Mutual Fund	\$ -	\$ -	\$ -	<u>\$ 15,087,207</u>	<u>\$ 15,087,207</u>

The School Board's investment in the SunTrust Capitoline Mutual Fund is exempt from risk categorization because the School Board does not own any identifiable securities in this mutual fund.

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

Component Units – Other:

	Category			Reported	Fair
	1	2	3	Value	Value
SunTrust Capitoline Mutual Fund	\$ -	\$ -	\$ -	\$ 195,967	\$ 195,967
U.S. government and government agency securities	15,709,474	-	-	15,709,474	15,709,474
Repurchase agreements	-	-	3,895,358	3,895,358	3,895,358
Commercial paper	-	7,230,475	-	7,230,475	7,230,475
Certificates of Deposits with original maturity greater than three months	2,852,729	-	-	2,852,729	2,852,729
	<u>\$18,562,203</u>	<u>\$7,230,475</u>	<u>\$3,895,358</u>	<u>\$29,884,003</u>	<u>\$29,884,003</u>

A reconciliation of the carrying value of deposits and investments reported above to amounts reported in the combined balance sheet is as follows:

Deposits	\$ 143,188,376	\$ 8,317,077	\$ 24,332,098
Investments (including restricted investments)	982,591,047	15,087,207	29,884,003
Undeposited securities	-	-	10,000
NRHA component unit cash and investments	-	-	8,587,118
Cash on hand	4,634,837	910	2,130
Total	<u>\$ 1,130,414,260</u>	<u>\$ 23,405,194</u>	<u>\$ 62,815,349</u>
 <u>Per Exhibit 1:</u>			
Cash and cash equivalents	\$ 193,575,637	\$ 23,405,194	\$ 29,866,263
Investments	890,804,338	-	10,145,430
Restricted cash and investments	46,034,285	-	22,803,656
Total	<u>\$ 1,130,414,260</u>	<u>\$ 23,405,194</u>	<u>62,815,349</u>

Limited use was made of short-term repurchase agreement investment instruments during the year. The Employees' Retirement System invests in certain derivatives, including real estate mortgage investment conduits and collateralized mortgage obligations. Investments in derivatives with a cost of \$46,213,462 and a market value of \$46,009,809 were held at June 30, 2000.

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

III. Property Taxes:

Local real property assessments are made under the direction of a City Assessor appointed by the City Council. Action of the City Assessor may be appealed to a three-member Board of Review appointed by the Chief Judge of the Circuit Court. Local properties of public service corporations are assessed by the Commonwealth's Department of Taxation or the State Corporation Commission. Certain personal property, machinery and tools, mobile homes and airplanes are assessed by the Commissioner of the Revenue.

The City has the power to levy taxes on property located within its boundaries for payment of its obligations without limitation as to rate or amount. Rates are established by the City Council. The rates in effect for the year ended June 30, 2000, on each \$100 of assessed value, were \$1.40 for real property, \$.20 for the Downtown Service District, \$4.00 for personal property, \$2.00 for recreational vehicles, \$4.00 for machinery and tools, \$1.40 for mobile homes, \$2.40 for airplanes, \$.01 for pleasure boats and \$1.50 for business boats.

The property tax calendar is as follows:

	Real Property	Other than Real Property
Lien date	July 1	January 1
Levy date for existing property	July 1	January 1
Levy date for real property improvement, new construction or newly acquired property	October 1, January 1 and April 1	Date of Acquisition
Due dates	September 30, December 5, March 31 and June 5	June 5 or 30 days after acquisition
Collection dates	On or before due date	

In the event any installment of taxes on any of the above properties is not paid on or before the due date, penalties and interest are assessed in accordance with the City Code.

The City Council may require the sale of real property in satisfaction of delinquent taxes, pursuant to the provisions of Section 89, City Charter.

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

IV. Accounts Receivable:

A. Unbilled Accounts Receivable:

Following is a summary by fund of unbilled accounts receivable recognized at June 30, 2000:

Water Utility Fund	\$ 1,022,093
Wastewater Utility Fund	521,007
	<hr/>
	\$ 1,543,100
	<hr/>

The associated revenue is included in net charges for services.

B. Allowances for Uncollectible Accounts Receivable:

Allowances for uncollectible accounts receivable are generally established using historical collection data, specific account analysis and subsequent cash receipts. The allowances at June 30, 2000 are as follows:

Primary Government:

General Fund:	
Taxes	\$ 13,493,000
Accounts	10,270,000
	<hr/>
	23,763,000
Special Revenue - Storm Water Fund	223,239
Water Utility Fund	2,050,616
Wastewater Utility Fund	502,692
Total - Primary Government	<hr/>
	\$ 26,539,547
	<hr/>

Component Unit - Other:

Hospital Authority	<hr/>
	\$ 1,071,506
	<hr/>

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

V. Notes Receivable:

Notes receivable, at June 30, 2000, are as follows:

Primary Government: General Fund

Hospital Authority of Norfolk (HAN)

Outstanding portion of promissory notes related to general obligation bonds issued for hospital improvement purposes which were assumed by the General Fund, due in accordance with the amortization schedules for the bonds (see Note IX). All of HAN's land, improvements, buildings and fixtures and substantially all other assets of HAN are pledged as collateral for the bonds.

\$ 1,280,800

WHRO (Hampton Roads Educational Telecommunications Association, Inc.)

198,746

Total – Primary Government

\$ 1,479,546

Component Units – Other: Norfolk Redevelopment & Housing Authority

\$35,735,613

VI. Due From Other Governments:

Amounts due from other governments, at June 30, 2000, are as follows:

	General Fund	Revenue Fund	Projects Fund	Primary Government	School Board	Other
Other:						
Various grants/reimbursements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,879,928
Commonwealth of Virginia:						
Shared expenses	3,276,058	-	-	3,276,058	-	-
Categorical aid	6,903,178	-	-	6,903,178	16,127,785	-
Noncategorical aid	186,605	-	-	186,605	-	-
Various grants	-	4,787,537	-	4,787,537	-	-
Reimbursement and miscellaneous	-	-	700,000	700,000	-	-
Total - Commonwealth	10,365,841	4,787,537	700,000	15,853,378	16,127,785	-
Federal Government:						
Various grants	-	4,657,589	-	4,657,589	8,509,517	-
Housing and Urban Development	-	-	-	-	-	5,974
Total - Federal	-	4,657,589	-	4,657,589	8,509,517	5,974
Total - Due from other governments	\$ 10,365,841	\$ 9,445,126	\$ 700,000	\$ 20,510,967	\$ 24,637,302	\$ 3,885,902

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

VII. Changes in General Fixed Assets:

A summary of changes in general fixed assets follows:

	July 1, 1999	Additions	Deductions	June 30, 2000
Primary Government:				
Land	\$ 27,849,064	\$ 191,639	\$ 2,087,864	\$ 25,952,839
Buildings	439,534,778	25,412,188	14,642,040	450,304,926
Improvements other than buildings	20,936,753	336,580	355,597	20,917,736
Equipment	81,752,743	28,752,628	31,153,094	79,352,277
Construction-in-progress	33,452,530	3,941,995	22,655,733	14,738,792
	<u>\$ 603,525,868</u>	<u>\$ 58,635,030</u>	<u>\$70,894,328</u>	<u>\$ 591,266,570</u>
Component Units:				
School Board	<u>\$ 50,976,835</u>	<u>\$ 23,244,219</u>	<u>\$ 3,177,522</u>	<u>\$ 71,043,532</u>
Norfolk Redevelopment & Housing Authority	<u>\$ 168,248,226</u>	<u>\$ 10,903,471</u>	<u>\$ 8,726,139</u>	<u>\$ 170,425,558</u>

VIII. Proprietary Fixed Assets:

A summary of proprietary fund property, plant and equipment, at June 30, 2000, follows:

	Enterprise Funds	Internal Service Funds	Component Units - Other
Land, land rights and land improvements	\$ 40,464,492	\$ 415,000	\$ 3,865,389
Buildings and building improvements	239,489,970	9,487,662	46,989,937
Transmission and distribution mains	221,677,308	-	-
Service meters and meter installation	21,425,962	-	-
Pumping and other water/wastewater equipment	85,453,990	-	-
Vehicles and garage equipment	3,035,880	272,198	-
Furniture, fixtures and equipment	14,715,868	321,721	2,379,727
Construction-in-progress	82,841,398	-	5,283,286
Capitalized interest	10,061,525	-	-
	<u>719,166,393</u>	<u>10,496,581</u>	<u>58,518,339</u>
Less accumulated depreciation	<u>(103,670,022)</u>	<u>(2,703,554)</u>	<u>(29,349,726)</u>
	<u>\$ 615,496,371</u>	<u>\$ 7,793,027</u>	<u>\$ 29,168,613</u>

The following is a summary by fund of interest expense/revenue capitalized during the fiscal year ended June 30, 2000:

	Interest Expense	Interest Revenue	Net Capitalized
Water Utility Fund	\$ 2,384,766	\$ (1,402,145)	\$ 982,621
Wastewater Utility Fund	1,256,294	(624,540)	631,754
Parking Fund	832,192	(611,655)	220,537
	<u>\$ 4,473,252</u>	<u>\$ (2,638,340)</u>	<u>\$ 1,834,912</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

IX. Long-Term Debt:

A. General Obligation and Revenue Bonds:

A summary of general obligation bond and revenue bond transactions for the fiscal year ended June 30, 2000 follows:

	Public Improvement Bonds	Enterprise Funds		
		Water Utility Bonds	Wastewater Utility Bonds	Parking Facilities Bonds
General obligation bonds outstanding at July 1, 1999	367,136,967	66,520,793	51,237,860	23,909,381
Bonds retired	(31,492,664)	(7,355,679)	(3,549,495)	(2,755,623)
Bonds issued	24,700,000	-	-	-
Bonds outstanding at June 30, 2000	<u>360,344,303</u>	<u>59,165,114</u>	<u>47,688,365</u>	<u>21,153,758</u>
Unamortized discount/premium		(1,291,358)	(475,658)	(648,300)
General obligation bonds outstanding June 30, 2000, adjusted for unamortized discount/premium		<u>57,873,756</u>	<u>47,212,707</u>	<u>20,505,458</u>
Revenue bonds outstanding at July 1, 1999		258,105,000	-	71,925,000
Bonds retired		(4,475,000)	-	(935,000)
Bonds issued		23,000,000	-	-
Bonds outstanding at June 30, 2000		<u>276,630,000</u>	<u>-</u>	<u>70,990,000</u>
Less unamortized discount		(5,963,000)	-	(2,889,506)
Revenue bonds outstanding at June 30, 2000, adjusted for unamortized discount/premium		<u>270,667,000</u>	<u>-</u>	<u>68,100,494</u>

In accordance with ordinances adopted by City Council, on July 1, 1988, the City established a separate operating unit, the Hospital Authority of Norfolk (HAN), which operates Lake Taylor Hospital. Under the terms of the related Agreement of Transfer, the City retained the liability for Hospital Improvement General Obligation bonds. Simultaneously, HAN delivered promissory notes to the City which are accounted for as notes payable to the General Fund. The outstanding principal balance, at June 30, 2000, is \$1,280,800.

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

General obligation bonds outstanding at June 30, 2000 are composed of the following individual issues:

General Long-Term Obligation Account Group:

Public Improvement Bonds:

\$1,500,000 public improvement bond issued July 11, 1989, due July 1, 2019, with interest payable annually on July 1 at 6.76 percent. \$ 1,500,000

\$88,641,817 public improvement serial bonds included as part of the \$140,665,000 bonds issued February 4, 1992, due in annual installments varying from \$3,774,577 to \$5,646,139 through February 1, 2005, with interest payable semiannually at rates varying from 4.75 to 6.00 percent. The amount due is net of \$26,466,827 due from February 1, 2006 through February 1, 2012, which was advance refunded with proceeds from the June 15, 1998, bond issue. 22,159,667

\$54,420,794 public improvement serial bonds included as part of the \$101,295,000 bonds issued March 2, 1993, due in annual installments varying from \$1,870,000 to \$3,684,741 through February 1, 2013, with interest payable semiannually at rates varying from 4.50 to 5.50 percent. 30,633,322

\$20,835,766 public improvement serial bonds included as part of the \$29,065,000 bonds issued July 1, 1993, due in annual installments varying from \$268,826 to \$2,193,616 through June 1, 2006, with interest payable semiannually at rates varying from 4.00 to 5.00 percent. 11,520,067

\$132,886,594 public improvement serial bonds included as part of the \$182,685,000 bonds issued March 17, 1994, due in annual installments varying from \$2,961,856 to \$10,513,840 through June 1, 2013, with interest payable semiannually at rates varying from 4.30 to 5.40 percent. 100,118,222

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

\$39,000,000 public improvement serial bonds included as part of the \$50,000,000 bonds issued May 1, 1995, due in annual installments of \$1,950,000 through June 1, 2013, with interest payable semiannually at rates varying from 5.25 to 6.00 percent. The amount due is net of \$3,900,000, due from May 1, 2014 through May 1, 2015, which was advance refunded with proceeds from the June 15, 1998 bond issue.

\$ 25,350,000

\$55,000,000 public improvement serial bonds included as part of the \$60,000,000 bonds issued March 1, 1996, due in annual installments of \$2,750,000 through June 1, 2016, with interest payable semiannually at rates varying from 5.125 to 5.250 percent.

44,000,000

\$34,975,000 public improvement serial bonds included as part of the \$43,975,000 bonds issued April 15, 1997, due in annual installments of \$1,750,000 through June 1, 2017, with interest payable semiannually at rates varying from 5.250 to 5.375 percent.

29,725,000

\$4,000,000 public improvement serial qualified redevelopment bonds issued April 15, 1997, due in annual installments of \$200,000 through June 1, 2017, with interest payable semiannually at rates varying from 5.25 to 5.75 percent.

3,400,000

\$67,111,792 public improvement serial bonds included as part of the \$93,520,000 bonds issued June 15, 1998 due in annual installments varying from \$1,765,305 to \$5,932,667 through June 1, 2019 with interest rates varying from 4.25 to 5.00 percent.

65,346,487

\$2,560,000 public improvement serial qualified redevelopment bonds issued September 15, 1998 due in annual installments of \$130,000 through July 1, 2018, with interest payable semiannually at rates varying from 4.70 to 5.10 percent.

2,430,000

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

\$11,700,000 public improvement serial bonds issued July 1, 1999 due in annual installments of \$585,000 through July 1, 2019 with interest rates varying from 4.50 to 5.00 percent. \$ 11,700,000

\$4,000,000 public improvement serial qualified redevelopment bonds issued July 1, 1999, due in annual installments of \$200,000 through July 1, 2019 with interest rates varying from 4.55 to 5.30 percent. 4,000,000

\$7,000,000 public improvement serial qualified zone academy bonds issued August 19, 1999, due in annual installments of \$538,462 through August 18, 2012 with no stated interest. 6,461,538

\$2,000,000 public improvement bond anticipation note issued November 9, 1999, due on September 30, 2000, with interest payable at maturity at the rate of 6.70 percent. 2,000,000

Total general long-term obligation notes and bonds outstanding **360,344,303**

Enterprise Funds:

Water utility development bonds:

\$34,217,243 public improvement serial bonds included as part of the \$140,665,000 bonds issued February 4, 1992, due in annual installments varying from \$1,459,521 to \$2,115,088 through February 1, 2005, with interest payable semiannually at rates varying from 4.75 to 6.00 percent. The amount due is net of \$10,216,644 due from February 1, 2006 through February 1, 2012, which was advance refunded with proceeds from the June 15, 1998 bond issue. 8,554,007

\$28,431,728 public improvement serial bonds included as part of the \$101,295,000 bonds issued March 2, 1993 due in annual installments varying from \$750,000 to \$2,509,695 through February 1, 2013, with interest payable semiannually at rates varying from 4.50 to 5.50 percent. 15,033,641

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

\$5,347,960 public improvement serial bonds included as part of the \$29,065,000 bonds issued July 1, 1993, due in annual installments varying from \$470,120 to \$529,920, through June 1, 2006, with interest payable semiannually at rates varying from 4.00 to 5.00 percent.

\$ 2,956,880

\$27,484,371 public improvement serial bonds included as part of the \$182,685,000 bonds issued March 17, 1994, due in annual installments varying from \$867,707 to \$2,718,730 through June 1, 2011, with interest payable semiannually at rates varying from 4.30 to 5.40 percent.

21,927,890

\$10,692,696 public improvement serial bonds included as part of the \$93,520,000 bonds issued June 15, 1998 due in annual installments varying from \$6,521 to \$1,402,071 beginning June 1, 2006 through June 1, 2012 with interest rates varying from 4.25 to 5.00 percent.

10,692,696

Water utility development bonds outstanding 59,165,114
Less unamortized bond discount 1,291,358

Net water utility development bonds outstanding **57,873,756**

Wastewater utility development bonds:

\$6,450,000 public improvement serial bonds included as part of the \$140,665,000 bonds issued February 4, 1992, due in annual installments varying from \$275,122 to \$398,697 through February 1, 2005, with interest payable semiannually at rates varying from 4.75 to 6.00 percent. The amount due is net of \$1,925,852, due from February 1, 2006 through February 1, 2012, which was advance refunded with proceeds from the June 15, 1998 bond issue.

1,612,443

\$10,775,133 public improvement serial bonds included as part of the \$101,295,000 bonds issued March 2, 1993, due in annual installments varying from \$500,000 to \$569,210 through February 1, 2013, with interest payable semiannually at rates varying from 4.50 to 5.50 percent.

6,734,186

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

\$965,177 public improvement serial bonds included as part of the \$29,065,000 bonds issued July 1, 1993, due in annual installments varying from \$84,845 to \$95,638 through June 1, 2006, with interest payable semiannually at rates varying from 4.00 to 5.00 percent.	\$ 533,645
\$11,111,446 public improvement serial bonds included as part of the \$182,685,000 bonds issued March 17, 1994, due in annual installments varying from \$265,464 to \$786,497 through June 1, 2013, with interest payable semiannually at rates varying from 4.30 to 5.40 percent.	8,290,942
\$11,000,000 public improvement serial bonds included as part of the \$50,000,000 bonds issued May 1, 1995, due in annual installments of \$550,000 through June 1, 2015, with interest payable semiannually at rates varying from 5.25 to 6.00 percent. The amount due is net of \$1,100,000, due from May 1, 2014 through May 1, 2015, which was advance refunded with proceeds from the June 15, 1998, bond issue.	7,150,000
\$5,000,000 public improvement serial bonds included as part of the \$60,000,000 bonds issued March 1, 1996, due in annual installments of \$250,000 through June 1, 2015, with interest payable semiannually at rates varying from 5.125 to 5.250 percent.	4,000,000
\$9,000,000 public improvement serial bonds included as part of the \$43,975,000 bonds issued April 15, 1997, due in annual installments of \$450,000 through June 1, 2017, with interest payable semiannually at rates varying from 5.250 to 5.375 percent.	7,650,000
\$12,166,844 public improvement serial bonds included as part of the \$93,520,000 bonds issued June 15, 1998 due in annual installments varying from \$449,695 to \$864,945 beginning June 1, 2000 through June 1, 2015 with interest rates varying from 4.25 to 5.00 percent.	<u>11,717,149</u>
Wastewater utility development bonds outstanding	47,688,365
Less unamortized bond discount	<u>475,658</u>
Net wastewater utility development bonds outstanding	<u>47,212,707</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

Parking facilities development bonds:

\$11,355,941 public improvement serial bonds included as part of the \$140,665,000 bonds issued February 4, 1992 due in annual installments varying from \$484,382 to \$701,951 through February 1, 2005, with interest payable semiannually at rates varying from 4.75 to 6.00 percent. The amount due is net of \$3,390,677, due from February 1, 2006 through February 1, 2012, which was advance refunded with proceeds from the June 15, 1998 bond issue.

\$ 2,838,884

\$7,667,345 public improvement serial bonds included as part of the \$101,295,000 bonds issued March 2, 1993, due in annual installments varying from \$95,000 to \$1,170,078 through February 1, 2013, with interest payable semiannually at rates varying from 4.50 to 5.50 percent.

4,513,852

\$1,916,096 public improvement serial bonds included as part of the \$29,065,000 bonds issued July 1, 1993, due in annual installments varying from \$168,347 to \$189,863 through June 1, 2006, with interest payable semiannually at rates varying from 4.00 to 5.00 percent.

1,059,407

\$11,202,590 public improvement serial bonds included as part of the \$182,685,000 bonds issued March 17, 1994, due in annual installments varying from \$172,680 to \$1,321,182 through June 1, 2013, with interest payable semiannually at rates varying from 4.30 to 5.40 percent.

9,192,947

\$3,548,668 public improvement serial bonds included as part of the \$93,520,000 bonds issued June 15, 1998 due in annual installments varying from \$2,164 to \$465,316 beginning June 1, 2006 through June 1, 2012 with interest rates varying from 4.25 to 5.00 percent.

3,548,668

Parking facilities development bonds outstanding 21,153,758
Less unamortized bond discount 648,300

Net parking facilities development bonds outstanding 20,505,458

Net general obligation bonds outstanding \$ 485,936,224

CITY OF NORFOLK, VIRGINIA
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Revenue bonds outstanding at June 30, 2000 are composed of the following individual issues:

Enterprise Funds:

Water utility revenue bonds:

\$68,430,000 water revenue serial bonds issued November 1, 1993, due in annual installments varying from \$1,290,000 to \$4,410,000 through November 1, 2023, with interest payable semiannually at rates varying from 2.80 to 5.375 percent. \$ 61,395,000

\$115,680,000 water revenue serial bonds issued August 15, 1995, due in annual installments varying from \$1,820,000 to \$7,910,000 through November 1, 2025 with interest payable semiannually at rates varying from 5.00 to 7.00 percent. 108,995,000

\$84,605,000 water revenue serial bonds issued November 1, 1998, due in annual installments varying from \$1,365,000 to \$5,285,000 through June 30, 2029, with interest payable semiannually at rates varying from 4.00 to 5.125 percent. 83,240,000

\$23,000,000 water revenue bond anticipation note issued June 14, 2000 and due June 30, 2001, with interest payable at maturity at the rate of 5.30 percent. 23,000,000

Water revenue bonds outstanding 276,630,000
Less unamortized discount 5,963,000

Net water utility revenue bonds outstanding 270,667,000

Parking facilities revenue bonds:

\$54,450,000 parking revenue serial bonds issued February 1, 1997, due in annual installments beginning in fiscal year 2000, varying from \$935,000 to \$3,625,000 through February 1, 2027 with interest payable semiannually at rates varying from 4.125 to 5.550 percent. 53,515,000

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\$17,475,000 parking revenue serial bonds issued February 15, 1999, due in annual installments beginning in fiscal year 2001, varying from \$305,000 to \$1,085,000 through February 1, 2029 with interest payable semiannually at rates varying from 4.00 to 5.00 percent. \$ 17,475,000

Parking revenue bonds outstanding 70,990,000
Less unamortized discount 2,889,506

Net parking facilities revenue bonds outstanding 68,100,494

Net revenue bonds outstanding \$ 338,767,494

A summary of the requirements to amortize general obligation bonds recorded in the General Long-Term Debt Account Group is as follows:

Year Ending June 30,	Public Improvement Bonds	
	Principal	Interest
2001	\$ 32,084,322	\$ 18,536,067
2002	29,841,581	16,640,003
2003	29,352,150	15,190,177
2004	27,801,581	13,722,553
2005	27,607,690	12,330,862
Thereafter	213,656,979	57,663,959
Total	\$ 360,344,303	\$ 134,083,621

General Fund revenue is used to satisfy general obligation bonds payable recorded in the General Long-Term Debt Account Group. Bonds recorded in the enterprise funds are payable first from the revenue of the specific funds in which they are recorded; however, the full faith and credit of the City are pledged to the payment of the principal and interest on general obligation bonds.

The General Fund assumed a note payable on behalf of the former National Maritime Center Authority. The note will be paid according to the following schedule:

Year Ending June 30,	Principal	Interest
2001	\$ 401,096	\$ 223,668
2002	457,459	192,305
2003	571,139	153,624
2004	615,647	109,117
2005	664,064	60,700
Thereafter	447,230	120,815
Total	\$ 3,156,635	\$ 860,229

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Water revenue bonds are payable solely from the revenue of the Water Utility Fund. The most restrictive covenant of the water revenue bonds requires the Water Utility Fund net revenue not be less than the greater of (i) the sum of 1.1 times senior debt service and 1.0 times subordinated debt service for the fiscal year or (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the subordinate debt service fund, the repair and replacement reserve fund and the rate stabilization fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

Parking revenue bonds are payable solely from the revenue of the Parking Facilities Fund. The most restrictive covenant of the parking revenue bonds requires the Parking Facilities Fund net revenue not be less than the greater of (i) the sum of 1.25 times senior debt service and 1.0 times subordinated debt service for the fiscal year and (ii) 1.0 times the funding requirements for transfers from the revenue fund to the operating fund, the bond fund, the parity debt service fund, the debt service reserve fund, the MacArthur Center Garage reserve fund, the repair and replacement reserve fund, the surety bond interest fund and the subordinate debt service fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted investments on the balance sheet because their use is limited by applicable bond covenants.

At June 30, 2000 the following defeased bonds from advance refundings are still outstanding:

Defeased In	Original Issue	Amount
1998	1995	\$ 5,000,000
1998	1992	42,000,000
	Total	<u>\$ 47,000,000</u>

The detailed requirements to amortize general obligation bonds outstanding for the Water Utility Fund, Wastewater Utility Fund, and Parking Facilities Fund, at June 30, 2000, are presented in the tabulation that follows:

Year Ending June 30,	Water Utility Fund		Wastewater Utility Fund		Parking Facilities Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$ 7,242,529	\$ 3,013,211	\$ 3,538,872	\$ 2,475,606	\$ 2,697,739	\$ 1,068,222	\$ 13,479,140	\$ 6,5
2002	7,130,956	2,663,157	3,525,753	2,301,939	2,640,172	935,702	13,296,881	5,9
2003	7,022,862	2,308,778	3,400,413	2,125,231	3,028,037	801,547	13,451,312	5,2
2004	5,442,466	1,961,375	3,325,887	1,951,037	2,118,529	661,120	10,886,882	4,5
2005	5,386,229	1,682,198	3,313,633	1,779,463	2,090,910	553,277	10,790,772	4,0
Thereafter	<u>26,940,072</u>	<u>5,260,664</u>	<u>30,583,807</u>	<u>8,638,402</u>	<u>8,578,371</u>	<u>1,737,609</u>	<u>66,102,250</u>	<u>15,6</u>
	<u>\$ 59,165,114</u>	<u>\$ 16,889,383</u>	<u>\$ 47,688,365</u>	<u>\$ 19,271,678</u>	<u>\$ 21,153,758</u>	<u>\$ 5,757,477</u>	<u>\$ 128,007,237</u>	<u>\$ 41,9</u>

CITY OF NORFOLK, VIRGINIA
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The detailed requirements to amortize water revenue bonds outstanding at June 30, 2000 are presented in the tabulation that follows:

Year Ending June 30,	Principal	Interest
2001	\$ 27,680,000	\$ 14,684,814
2002	4,890,000	13,197,594
2003	5,120,000	12,972,439
2004	5,355,000	12,731,799
2005	5,625,000	12,461,315
Thereafter	227,960,000	159,091,811
Total	\$ 276,630,000	\$ 225,139,772

The detailed requirements to amortize parking revenue bonds outstanding at June 30, 2000 are presented in the tabulation that follows:

Year Ending June 30,	Principal	Interest
2001	\$ 1,285,000	\$ 3,679,744
2002	1,335,000	3,625,894
2003	1,400,000	3,568,434
2004	1,460,000	3,507,109
2005	1,520,000	3,442,019
Thereafter	63,990,000	47,483,566
Total	\$ 70,990,000	\$ 65,306,766

B. Changes in General Long-Term Obligations:

A summary of changes in general long-term obligations other than general obligation bonds payable recorded in the General Long-Term Obligations Account Group follows:

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Capital leases	\$ 9,351,989	\$ 4,975,018	\$ 3,772,213	\$ 10,554,794
Notes	3,234,056	300,000	377,421	3,156,635
Employees' Retirement				
System contributions	3,549,468	-	3,549,468	-
Vested compensated absences	10,142,283	461,657	-	10,603,940
Retirees' life insurance	1,365,000	-	160,000	1,205,000
Workers' compensation claims	8,000,000	750,000	-	8,750,000
Automobile/general liability claims	1,516,000	42,000	-	1,558,000
Landfill closure/post-closure costs	<u>6,503,357</u>	<u>503,637</u>	<u>-</u>	<u>7,006,994</u>
	<u>\$ 43,662,153</u>	<u>\$ 7,032,312</u>	<u>\$ 7,859,102</u>	<u>\$ 42,835,363</u>

CITY OF NORFOLK, VIRGINIA
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The City leases a building and certain computer, automotive maintenance, solid waste automation and other heavy equipment, which are recorded in the General Fixed Assets Account Group at a cost of \$24,066,362. Additions to Capital Leases, in the fiscal year ended June 30, 2000, of \$4,975,018 consist of additional borrowing by the General Fund. The remaining debt service requirements, including interest at rates varying from 4.37% to 7.26%, will be retired by funds from the General Fund on the aforementioned contracts, as follows:

Year Ending June 30,	General Long-Term Obligations	Internal Service Funds	Totals
2001 \$	3,949,282	\$ 46,223	\$ 3,995,505
2002	3,144,396	46,223	3,190,619
2003	2,268,763	46,223	2,314,986
2004	1,653,396	46,223	1,699,619
2005	630,468	22,662	653,130
Total minimum lease payments	11,646,305	207,554	11,853,859
Less interest	1,091,511	27,821	1,119,332
	10,554,794	179,733	10,734,527
Less current portion	(3,460,317)	(35,689)	(3,496,006)
	\$ 7,094,477	\$ 144,044	\$ 7,238,521

The City closed its Campostella landfill site at June 30, 1992. State and federal laws require the City to perform certain maintenance and monitoring activities at the site for 30 years after closure. The \$7,006,994 reported as an obligation for landfill closure and post/closure costs, at June 30, 2000, reflects the estimated total cost to perform these activities. Actual costs may be higher due to inflation, changes in technology and/or changes in laws.

C. Debt Limit:

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxed real property as a ceiling in the amount of general obligation borrowings, which may be issued by the City. At June 30, 2000, the City's debt limit is \$809,811,317, of which \$318,614,071 is available for creation of additional debt. There are no overlapping tax jurisdictions.

CITY OF NORFOLK, VIRGINIA
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D. Bonds Authorized and Unissued:

A summary of bonds authorized and unissued as of June 30, 2000 follows:

Projects	Total
General obligation bonds authorized and unissued:	
General capital improvement	\$ 4,036,253
Storm Water capital improvement	3,668,840
Wastewater utility development	16,310,207
	24,015,300
Revenue bonds authorized and unissued:	
Water utility development	74,813,996
Parking development	15,778,429
	90,592,425
Total	\$ 114,607,725

E. Water Fund Liability:

A long-term liability of \$5,698,026 has been recorded in the Water Utility Fund to reflect over billings to a customer during fiscal years 1999 and 2000 under water contracts. Pursuant to the terms of the water contracts, billings to this customer were based on budgeted Water Utility Fund capital expenditures during the fiscal years. The liability reflects the adjustment to billings based on the difference between budgeted and actual expenditures (capital and operating). Pursuant to the terms of the water contract, this liability will be reduced in 2001 through credits to the customer's billing.

X. Compensated Absences:

A liability for vested vacation and sick leave benefits is recorded in the General Long-Term Debt Account Group.

These benefits represent future obligations of the following funds:

Primary government:	
General Fund	\$ 10,304,505
Storm Water Fund	136,340
Grants Fund	163,095
Total primary government	\$ 10,603,940
Component Unit - School Board	\$ 4,179,491
Component Unit - Others	\$ 2,355,449

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XI. Pension Plans:

The City and its component units participate in three defined benefit pension retirement plans. The Employee's Retirement System of the City of Norfolk (XI.A); Virginia Retirement System (VRS) plans administered for the benefit of Norfolk School Board employees (XI.B); and one VRS plan administered for the benefit of state employees in constitutional offices.

A. Employees' Retirement System of the City of Norfolk (System):

1. Plan Description

The Employees' Retirement System of the City of Norfolk (System) is the administrator of a single-employer noncontributory, defined benefit plan that covers substantially all employees of the City, excluding School Board employees who are covered by the Virginia Retirement System. The System provides retirement benefits as well as death and disability benefits. All benefits vest after 5 years of creditable service effective after January 1, 1997. Ad hoc cost-of-living adjustments ("COLAs") are provided at the discretion of the City Council. The System is established by Section 37 of the Code of the City of Norfolk, Virginia 1979, as amended, 1997. The benefit provisions of the plan are also determined by this Code section. The System is included as a Pension Trust Fund in the City's financial statements and also issues a separate publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Employees' Retirement System of the City of Norfolk, City Hall Building, 810 Union Street, Norfolk, VA 23510.

2. Funding Policy

Section 37 of the Code of the City of Norfolk, Virginia, 1979, as amended 1997 established the authority under which the City's obligation to contribute to the plan is established or may be amended. Contribution requirements are actuarially determined at the end of each fiscal year and paid by the City in the ensuing year. There was no contribution requirement to the pension plan for the year ended June 30, 2000 which was based on a (3.55) percent of covered payroll for general employees and 5.56 percent of covered payroll for public safety employees. This negative percentage reduces the amount that would otherwise be required to be contributed.

CITY OF NORFOLK, VIRGINIA
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3. Annual Pension Cost

For 2000, the System's annual pension cost was equal to the City's required and actual contribution of \$0. The required contribution was determined as part of the June 30, 2000 actuarial valuation using the projected unit credit cost method. The amortization method used is level dollar closed. The actuarial assumptions included: (a) 7.5% investment rate of return, compounded annually; (b) projected average salary increases of 5.35%, compounded annually (reflects an assumption of a range of salary increases from 7.6% at age 20 to 4.6% at age 69), and (c) No cost-of-living adjustments. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The remaining amortization period at June 30, 2000 was a weighted average of 17.5 years.

Three-Year Trend Information			
Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 1998	\$ 10,158,768	100%	\$ -
June 30, 1999	3,456,936	100%	-
June 30, 2000	-	100%	-

B. School Board – Retirement Plans:

1. Plan Description – Virginia Retirement System (VRS)

The School Board contributes to the Virginia Retirement System (VRS), an agent and cost sharing multi-employer defined benefit pension plan administered by the VRS. All full-time, salaried permanent employees of the School Board must participate in the VRS. Benefits vest after five years of service. Employees who retire with a reduced benefit at age 55, with at least five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.5% of their average final salary (AFS) up to \$13,200 plus 1.65% of AFS over \$13,200 for each year of credited service. An optional reduced retirement benefit is available to members of VRS as early as age 50 with ten years of credited service. Employees with 35 or more years of credited service are entitled to an annual benefit equal to 1.65% of AFS for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

CITY OF NORFOLK, VIRGINIA
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2. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The 5% member contribution has been assumed by the School Board. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using an actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The School Board's professional and non-professional employees' contribution rates for the year ended June 30, 2000 were 14.04% and 14.27%, respectively, of annual covered payroll. The School Board public school division's contribution rates for the fiscal years ended June 30, 2000, 1999 and 1998 was 14.07%, 13.55% and 12.35%, respectively, of annual covered payroll. Contributions to the VRS for the years ended June 30, 2000, 1999 and 1998 were \$23,149,529, \$21,134,416, and \$18,555,906, respectively - equal to the required contributions for each year.

3. Annual Pension Cost

For 2000, the School Board's annual pension cost of \$21,438,025 for professional employees and \$1,711,504 for non-professional employees was equal to the School Board's required and actual contribution. The required contribution was determined as part of the June 30, 1999 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 8% investment rate of return; (b) projected salary increases of 4% per year, and (c) 3.1% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 4%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Trend information for the School Board is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2000	\$ 23,149,529	100%	\$ -
June 30, 1999	21,134,416	100%	-
June 30, 1998	18,555,906	100%	-

4. School Board – Superintendent Defined Contribution Plan

The School Board adopted a separate retirement plan for the Norfolk Superintendent of Schools in which the Superintendent could elect out of the VRS coverage under Virginia Code Section 51.1-126.6. The School Board will make a fixed contribution equal to 14.04% of the compensation earned by the participant during the plan year.

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For any plan year commencing after June 30, 2000 in which the participant remains an eligible employee, the School Board will make a fixed plan contribution on behalf of the participant equal to his compensation earned for the plan year multiplied by a percentage equal to the aggregate employer and employee percentage contribution rate that would have applied to the participant for the plan year under VRS had the participant not elected out. For the plan year, the School Board, at its discretion, may contribute to the plan on behalf of the participant such additional amounts, if any, as the School Board elects to contribute as a discretionary plan contribution. The total annual additions made for the participant for any plan year will not exceed the lesser of \$30,000 or 25% of the participants compensation for the plan year. All contributions will be fully vested and nonforfeitable when such plan contributions are made.

The School Board is the administrator of the plan and Teachers Insurance and Annuity Association is the trustee. Contributions for the year ended June 30, 2000 were fixed contributions of \$19,286 and a discretionary contribution of \$10,000.

C. State Employees – Virginia Retirement System (VRS):

1. Plan Description

The City of Norfolk contributes to the Virginia Retirement System (VRS), an agent and cost sharing multi-employer defined benefit pension plan administered by the VRS. All full-time, salaried permanent state employees in the City's five constitutional offices must participate in the VRS. These offices include: Commissioner of the Revenue, City Treasurer, Circuit Courts, Commonwealth's Attorney, and Sheriff and Jail. Benefits vest after five years of service. Employees who retire with a reduced benefit at age 55, with at least five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.5% of their average final salary (AFS) up to \$13,200 plus 1.65% of AFS over \$13,200 for each year of credited service. An optional reduced retirement benefit is available to members of VRS as early as age 50 with ten years of credited service. Employees with 35 or more years of credited service are entitled to an annual benefit equal to 1.65% of AFS for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

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2. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The 5% member contribution has been assumed by the City. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using an actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for the year ended June 30, 2000 was 2.14 % of annual covered payroll. Contributions to the VRS for the year ended June 30, 2000 were \$ 1,230,511 equal to the required contribution.

3. Annual Pension Cost

For 2000, the City's annual pension cost of \$ 1,230,511 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 1999 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) 8% investment rate of return; (b) projected salary increases of 4% to 6.15% per year, and (c) 3.5% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 4%. The actuarial value of the City's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Trend information for the City VRS plan is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2000	\$ 1,230,511	100%	\$ -
June 30, 1999	1,146,791	100%	-
June 30, 1998	1,171,190	100%	-

XII. Deferred Compensation Plan:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferral may be up to 25 percent of gross income up to a maximum of \$8,000 per year. The deferred compensation plan is not available to employees until termination, retirement, death or unforeseeable emergency.

The laws governing the City's deferred compensation plan have been complied with pursuant to the provisions of IRC Section 457. Accordingly, all assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

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XIII. Interfund Receivable and Payable Balances:

The interfund receivable and payable balances at June 30, 2000 are as follows:

	<u>Receivables</u>	<u>Payables</u>
<u>Primary Government:</u>		
General	\$ 4,786,280	\$ 21,525
Special Revenue:		
Storm Water	1,070	72,564
Grants	56,585	1,107,026
Community Development	-	341,343
Capital Projects	-	63,767
Enterprise:		
Water Utility	1,084,302	2,227,100
Wastewater Utility	-	1,131,444
Parking Facilities	-	482,018
Internal Service:		
Storehouse	-	-
Fleet Management	21,522	-
Fiduciary:		
Expendable Trust	3	9,458
Nonexpendable Trust	9,005	-
Agency Payroll Withholdings	-	296,425
Agency Other	9,458	215,555
Total primary government	<u>\$ 5,968,225</u>	<u>\$ 5,968,225</u>
<u>Component Unit - School Board:</u>		
General	-	11,091,043
Special Revenue	4,020,038	1,791,387
Trust and Agency	8,862,392	-
Total component unit - School Board	<u>\$ 12,882,430</u>	<u>\$ 12,882,430</u>

At June 30, 2000, the General Fund had a remaining advance receivable of \$3,900,000 to the Parking Facilities Fund, which will be repaid over the next six years.

At June 30, 2000, the primary government had a payable to the School Board component unit totaling \$14,159,309.

CITY OF NORFOLK, VIRGINIA
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XIV. Interfund Transfers:

The following interfund operating transfers occurred during fiscal year 2000:

<u>Fund</u>	<u>In</u>	<u>Out</u>
General	\$ 10,877,730	\$ 55,512,251
Special Revenue:		
Storm Water		2,885,626
Grants	5,482,676	459,967
Debt Service	48,398,339	-
Capital Projects	4,516,862	961,994
Enterprise:		
Water Utility	-	8,000,000
Wastewater Utility	-	1,450,000
Parking Facilities	-	-
Expendable Trust	-	5,769
	<u>\$ 69,275,607</u>	<u>\$ 69,275,607</u>

The General Fund also transferred \$79,032,544 to the School Board component unit.

CITY OF NORFOLK, VIRGINIA
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XV. Contributed Capital:

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Enterprise Funds:				
<u>Water Utility</u>				
General Fund	\$ 20,419,068	\$ -	\$ -	\$ 20,419,068
Revenue Sharing Fund	2,799,332	-	-	2,799,332
Capital Projects Fund	3,256,194	-	-	3,256,194
Customers	12,659,174	24,837	425,835	12,258,176
	<u>\$ 39,133,768</u>	<u>\$ 24,837</u>	<u>\$ 425,835</u>	<u>\$ 38,732,770</u>
<u>Watewater Utility</u>				
General Fund	\$ 19,794,285	\$ -	\$ -	\$ 19,794,285
Revenue Sharing Fund	2,558,162	-	-	2,558,162
Customers	2,905,653	18,988	-	2,924,641
Transferred from Retained Earnings	643,380	-	-	643,380
Water Utility Fund	71,792	454,790	-	526,582
	<u>\$ 25,973,272</u>	<u>\$ 473,778</u>	<u>\$ -</u>	<u>\$ 26,447,050</u>
<u>Parking Fund</u>				
General Fund	\$ 148,968	\$ -	\$ -	\$ 148,968
General Fixed Assets	41,408,501	-	-	41,408,501
General Long-Term Obligations	(30,807,625)	-	-	(30,807,625)
Capital Projects Fund	5,280,731	-	-	5,280,731
	<u>\$ 16,030,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,030,575</u>
Internal Service Funds:				
<u>Storehouse Fund</u>				
General Fund	\$ 715,673	\$ -	\$ -	\$ 715,673
General Fixed Assets	1,494	-	-	1,494
PS Fund	8,052	-	-	8,052
Water Utility Fund	58,889	-	-	58,889
Revenue Sharing Fund	16,450	-	-	16,450
	<u>\$ 800,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800,558</u>
<u>Fleet Management Fund</u>				
General Fund	\$ 613,697	\$ -	\$ -	\$ 613,697
Capital Projects Fund	9,950,605	-	-	9,950,605
Revenue Sharing Fund	12,021	-	-	12,021
Expendable Trust Fund	46,457	-	-	46,457
Transferred from Retained Earnings	41,343	-	-	41,343
	<u>\$ 10,664,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,664,123</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
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XVI. Retained Earnings Deficits:

The Fleet Management Fund has a retained earnings deficit of \$1,404,306 at June 30, 2000. Future rate increases are anticipated to reduce this deficit.

XVII. Recovered Costs:

Recovered costs in the General Fund, consist of the following:

Employee hospitalization contributions	\$ 3,577,021
Information systems recoveries	1,564,997
Debt service recoveries	1,005,284
Administrative cost recoveries from Enterprise Funds	1,395,579
Other	4,794,637
	<u>\$ 12,337,518</u>

XVIII. Other Liabilities:

Other liabilities consist of the following:

Primary Government:	
General Fund - Risk financing liability	<u>\$ 3,872,934</u>
Water Utility Fund - Due to other governments	5,698,026
Water Utility Fund - Miscellaneous	324,567
Wastewater Utility Fund - Miscellaneous	256,546
	<u>6,279,139</u>
Storehouse Fund - Miscellaneous	49,592
Fleet Management Fund - Miscellaneous	463,813
	<u>513,405</u>
Pension Trust Fund - Due to broker	45,795,992
Payroll Agency Fund	1,947,435
Other Agency Funds	1,731,698
Commonwealth of Virginia	52,669
	<u>49,527,794</u>
Total primary government	<u>\$ 60,193,272</u>
Component Unit - Others:	
NRHA - Miscellaneous	<u>\$ 24,910,064</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
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XIX. Supplemental Appropriations:

The following supplemental appropriations were made to the operating budgets during the fiscal year:

Approved FY 1999-2000 budget	\$ 565,554,810
Supplemental appropriations from fund balance:	
Augment appropriations for the payment of claims and related self-insurance expenses	3,150,000
	<hr/>
Total supplemental appropriations from fund balance	3,150,000
Supplemental appropriations from additional revenue:	
Federal and state aid for expenses associated with hurricane	305,584
Supplemental appropriation for street construction	200,541
Reimbursement of Hampton Roads Transit subsidy per agreement dated May 2000 for use of Commonwealth Urban Highway Funds	700,000
	<hr/>
Total supplemental appropriations from additional revenue	1,206,125
Total supplemental appropriations	<hr/> 4,356,125 <hr/>
Final budget	<hr/> \$ 569,910,935 <hr/>

XX. Deferred Revenue:

Deferred revenue at June 30, 2000 totaling \$33,651,893 is comprised of the following:

- A. Deferred grant funding:** In the Grants Fund, deferred revenue represents monies accepted from a grantor using an advancement method for payments. The amount is reduced and revenue is recorded when expenditures are incurred in accordance with the grantors' requirements. If expenditures are not incurred, the funds will revert back to the grantors. In the Community Development Fund, the deferred revenue represents deferred payment rehabilitation loans of \$1,308,085. Deferred grant funding reported at June 30, 2000, follows:

Grants	\$ 14,312,563
Community development	1,308,085
Storm Water - deferred billings	245,484
Total primary government - Special Revenue Funds	<hr/> \$ 15,866,132 <hr/>

- B. Deferred property tax revenue:** Deferred revenue in the General Fund, representing uncollected tax billings not available for funding of current expenditures at June 30, 2000 is \$13,381,545.

- C. Notes Receivable:** Deferred revenue in the General Fund, representing noncurrent notes receivable not available for funding current expenditures at June 30, 2000, totals \$1,479,546.

CITY OF NORFOLK, VIRGINIA
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D. Other: Certain items in the General Fund, representing prepaid and/or contributed revenue that is not available for funding current expenditures at June 30, 2000, totals \$2,924,670.

The Norfolk Public Schools has deferred various unspent grants of \$8,588,698 at June 30, 2000.

XXI. Segment Information for Enterprise Funds:

	Water Utility Fund	Wastewater Utility Fund	Parking Facilities Fund	Total
Operating revenue	\$ 61,879,482	\$ 12,677,081	\$ 15,449,410	\$ 90,005,973
Depreciation	8,700,446	1,491,198	2,667,283	12,858,927
Operating income	24,211,214	5,567,387	7,161,821	36,940,422
Operating transfers out	8,000,000	1,450,000	-	9,450,000
Net income	3,279,478	2,790,274	1,385,456	7,455,208
Net capital contributions	38,732,770	26,447,050	16,030,575	81,210,395
Fixed assets, net change	14,947,360	5,270,458	5,348,037	25,565,855
Net working capital	25,927,942	(3,375,397)	1,939,045	24,491,590
Total assets	509,796,269	100,875,048	128,352,293	739,023,610
General obligation and revenue bonds payable	325,420,756	47,212,707	88,070,535	460,703,998
Fund equity	164,097,098	50,026,630	32,145,860	246,269,588

XXII. Commitments and Contingencies:

A. Capital Projects:

Commitments for completion of capital projects, authorized at June 30, 2000, are as follows:

Water utility development projects	\$ 43,000,000
Wastewater utility development projects	7,300,000
Parking facilities development projects	1,700,000
	<u>\$ 52,000,000</u>

B. Federal Grant Programs:

Federal programs in which the City participates were audited in accordance with the provisions of the Single Audit Act Amendment of 1996 (the Act). Pursuant to the provisions of the Act, all major programs and certain other programs were tested for compliance with applicable grant requirements. Additionally, the federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, future disallowances of certain grant program expenditures, if any, would be immaterial.

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
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XXIII. Litigation:

The City is a defendant in a number of lawsuits. Although it is not possible to determine the final outcome of these matters, management and the City Attorney are of the opinion that the ultimate liability will not be material and will not have a significant effect on the City's financial condition.

XXIV. Surety Bonds and Insurance:

<u>Surety</u>	<u>Official</u>	<u>Amount</u>
Fidelity and Deposit Company	Sharon McDonald, Commissioner of the Revenue	\$ 3,000
	Joseph T. Fitzpatrick, City Treasurer	300,000
	Robert J. McCabe, Sheriff	30,000
	Albert Teich, Jr., Clerk of the Circuit Court	1,000,000
State Farm Fire and Casualty Company	Joseph T. Fitzpatrick, City Treasurer	200,000
Commonwealth of Virginia	All employees of the City Treasurer, Sheriff and Commonwealth's Attorney - Faithful Performance of Duty Bond	500,000
Commonwealth of Virginia	All employees of the Commissioner of the Revenue - Faithful Performance of Duty Bond	10,000
Commonwealth of Virginia	All employees Clerk of the Circuit Court - Faithful Performance of Duty Bond	1,000,000

CITY OF NORFOLK, VIRGINIA
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XXV. Protected Self-insurance Program:

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. On July 11, 1978, the City established a protected self-insurance program Fund, pursuant to an ordinance adopted by City Council, to cover itself from these risks of losses. The program provides for the payment of claims liabilities, property losses, and related expenses covered by a combination of purchased insurance policies and self-insurance plans. The total of insurance premiums, self-insurance claims, and related expense payments made during fiscal year 2000 was \$ 3,864,705.

The City currently reports all these activities as part of the risk management function in the general government section of the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The City has adopted Governmental Accounting Standards Board Statement Number 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues" (GASB 10). At June 30, 2000, the amount of these liabilities, calculated under GASB 10, was \$13,962,000, of which \$3,654,000 is reported as a current liability in the General Fund and \$10,308,000, is reported as a long-term liability in the General Long-Term Debt Account Group. Liabilities for incurred but not reported claims are reported at their present value, using the expected future investment yield assumption of five (5) percent. These liabilities are the City's best estimate based on currently available information.

Changes in the City's claims liability amount in the fiscal years 1994 through 2000 is as follows:

	Beginning fiscal-year liability	Current-year claims liabilities and changes in estimates	Current-year claims payments	Ending fiscal-year liability
1994	\$ 2,401,884	\$ 4,164,167	\$ (3,034,427)	\$ 3,531,624
1995	3,531,624	10,073,134	(4,451,758)	9,153,000
1996	9,153,000	5,165,900	(6,165,900)	8,153,000
1997	8,153,000	6,171,376	(4,831,376)	9,493,000
1998	9,493,000	5,239,832	(3,761,832)	10,971,000
1999	10,971,000	3,365,200	(1,572,200)	12,764,000
2000	12,764,000	5,846,778	(4,648,778)	13,962,000

The City has designated \$650,000 of fund equity to provide for risks of loss and claims payments that may not be fully covered by purchased insurance or annual budget appropriations. There have not been any significant reductions in insurance coverage, and settled claims have not exceeded coverage in any of the past three fiscal years.

The School Board also participates in the Program and its liability at June 30, 2000 was \$943,900. It also provides payments for its risks of loss through a combination of purchased insurance policies and self-insurance plans. These losses are funded through the Public Schools operating budgets and/or the City fund balance designation.

CITY OF NORFOLK, VIRGINIA
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XXVI. Jointly Governed Organizations:

A. Hampton Roads Regional Jail Authority (HRRJA):

HRRJA is a regional organization which includes the cities of Hampton, Newport News, Norfolk and Portsmouth, created for the purpose of providing, operating and maintaining a regional jail facility for the correctional overflow from each community. HRRJA is a primary government, with no component units, that is a body politic and corporate created pursuant to Article 3.1, Chapter 3, Title 53.1 of the Code of Virginia, as amended, and is governed by a twelve member Board of Directors, consisting of three representatives appointed by each of the member cities. The budgeting and financing of HRRJA are subject to the approval of the Board of Directors, with each individual having a single vote. HRRJA is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

The participating governments do not have an equity interest in the Authority, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2000. Complete financial statements of HRRJA can be obtained from HRRJA.

B. Hampton Roads Planning District Commission (the Commission), a regional planning agency authorized by the Virginia Area Development Act of 1968, was created by the merger of the Southeastern Virginia Planning District Commission and the Peninsula Planning District Commission on July 1, 1990. The Commission performs various planning services for the Cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Portsmouth, Poquoson, Suffolk, Williamsburg and Virginia Beach, and the Counties of Gloucester, Isle of Wight, James City, Southampton and York. Revenue of the Commission is received primarily from local governmental (member) contributions and various state and federal grant programs.

The participating governments do not have an equity interest in the Commission, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2000. Complete financial statements of the Commission can be obtained from the Commission.

C. Tidewater Transportation District Commission (TTDC), a political subdivision of the Commonwealth of Virginia, was formed on May 9, 1973, as a joint exercise of governmental power in accordance with provisions of Chapter 32 of Title 15.1 of the Code of Virginia. TTDC provides public transportation facilities and services within the Cities of Norfolk, Portsmouth, Virginia Beach, Chesapeake and Suffolk, Virginia. Oversight responsibility is exercised by all of the participating localities through their designated representatives. Responsibility for the day-to-day operations of TTDC rests with professional management.

The participating governments do not have an equity interest in TTDC, and accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2000. Complete financial statements of TTDC can be obtained from TTDC.

CITY OF NORFOLK, VIRGINIA
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XXVII. Joint Venture:

Southeastern Public Service Authority (SPSA):

SPSA is a joint venture of the Cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach and the counties of Isle of Wight and Southampton, created for the purpose of providing, operating and maintaining a regional system for the collection, transfer, processing and disposal of solid waste refuse. SPSA is a primary government, with no component units, that is a public body politic and corporate created pursuant to the Virginia Water and Sewer Authorities Act, and is governed by an eight-member Board of Directors consisting of a representative appointed by each of the member cities and counties. Budgeting and financing of SPSA is subject to the approval of the Board of Directors with each representative having a single vote. The Authority is responsible for its own financial matters, maintains its own books of account and is audited annually by independent accountants that it engages.

In fiscal years 1990 and 1994, the City guaranteed \$12,514,500 (54 percent of \$23,175,000) in refunding bonds, and interest thereon, issued by the SPSA. Under the guaranty agreements, the City has agreed to make payments to the trustees for deposit in reserve accounts, if necessary, to maintain in such accounts the sums of the amounts of interest due on the next succeeding interest payment dates for the bonds and the amounts required to pay principal of all the bonds maturing on the next July 1. The City's allocable portion of the outstanding balance from the \$23,175,000 Guaranteed Subordinated Revenue Refunding Bonds, Series 1989 and the \$10,485,000, Guaranteed Subordinated Revenue Refunding Bonds, Series 1993 (refunding bonds) remains at 54 percent, with the remaining balance being due from neighboring localities as follows: Chesapeake - 23 percent; Franklin - 2 percent; and Portsmouth - 21 percent. Should SPSA perform any act that constitutes default under the bond indenture, the entire bond principal could be considered due, and the City would be liable for its allocable portion of the outstanding balances of the bonds at June 30, 2000. The participating governments do not have an equity interest in the joint venture and, accordingly, no equity interest has been reflected in the City's financial statements at June 30, 2000. Complete financial statements of SPSA can be obtained from SPSA.

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

XXIX. Pending GASB Statements:

At June 30, 2000, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City of Norfolk, as the required implementation dates are in future fiscal years. The statements which potentially impact the City, are as follows:

No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", issued December, 1998, and will be effective for the fiscal year ending June 30, 2001. Statement No. 33 imposes new standards for the timing of recognition of revenue in certain nonexchange transaction. Nontransaction types affected are: derived tax revenues such as sales taxes; imposed nonexchange revenues such as property taxes; government-mandated nonexchange transactions such as federal or state mandated programs; and voluntary nonexchange transactions such as certain grants or private contributions. The Financial Accounting and Reporting Team of the City continues to study the statement provisions, and has not yet determined what effect, if any, Statement No. 33 will have on financial condition or the recognition and presentation of nonexchange transactions.

No. 34, "Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments," issued June 30, 2000 will be effective for the City, based on its revenues, for the fiscal year ending June 30, 2002. Statement No. 34, summarized from the statement below, imposes new standards for financial reporting. Although the City has not yet completed its assessment of this statement, it will have a material effect on the overall financial statement presentation for the City.

A summarization of the new financial statement guidelines, quoting the GASB Statement No. 34 Summary section, are as follows:

"This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages, and special-purpose governments such as school districts and public utilities. It establishes that the basic financial statements and required supplementary information (RSI) for general purpose governments should consist of:

- **Management's discussion and analysis (MD&A).** MD&A should introduce the basic financial statements and provide an analytical overview of the government's financial activities. Although it is RSI, governments are required to present MD&A before the basic financial statements.

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
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- ❑ **Basic financial statements.** The basic financial statements should include:
 - ❑ *Government-wide financial statements*, consisting of a statement of net assets and a statement of activities. Prepared using the economic resources measurement focus and the accrual basis of accounting, these statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Each statement should distinguish between the governmental and business-type activities of the primary government and between the total primary government and its discretely presented component units by reporting each in separate columns. Fiduciary activities, whose resources are not available to finance the government's programs, should be excluded from the government-wide statements.
 - ❑ *Fund financial statements* consist of a series of statements that focus on information about the government's major governmental and enterprise funds, including its blended component units. Fund financial statements also should report information about a government's fiduciary funds and component units that are fiduciary in nature. Governmental fund financial statements (including financial data for the general fund and special revenue, capital projects, debt service, and permanent funds) should be prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary fund financial statements (including financial data for enterprise and internal service funds) and fiduciary fund financial statements (including financial data for fiduciary funds and similar component units) should be prepared using the economic resources measurement focus and the accrual basis of accounting.
 - ❑ *Notes to the financial statements* consist of notes that provide information that is essential to a user's understanding of the basic financial statements.
 - ❑ *Required supplementary information (RSI)*. In addition to MD&A, this Statement requires budgetary comparison schedules to be presented as RSI along with other types of data as required by previous GASB pronouncements. This Statement also requires RSI for governments that use the modified approach for reporting infrastructure assets."

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2000

XXX. Condensed Financial Statements – Discretely Presented Component Units - Other:

Condensed Financial Statements - Discretely Presented Component Units – Other Balance Sheets June 30, 2000				
	All Fund Types and Account Groups and Component Units		Proprietary	Total
	Norfolk Redevelopment and Housing Authority		The Hospital Authority of Norfolk	Other Component Units
ASSETS				
Certain current assets	\$ 92,299,463		\$ 4,674,082	\$ 96,973,545
Inventories	514,864		159,249	674,113
Restricted cash and investments	18,816,217		3,987,439	22,803,656
Prepaid expenditures	176,371		22,258	198,629
Unamortized bond issuance costs	107,553		-	107,553
Patient funds	-		109,166	109,166
Fixed assets, net of accumulated depreciation	194,483,953		5,110,218	199,594,171
Other assets	22,389,638		314,004	22,703,642
Amounts to be provided	88,930,447		-	88,930,447
Total assets	<u>\$ 417,718,506</u>		<u>\$ 14,376,416</u>	<u>\$ 432,094,922</u>
LIABILITIES				
Certain current liabilities	\$ 46,209,687		\$ 2,621,634	\$ 48,831,321
Long-term debt	127,368,350		956,500	128,324,850
Workers' compensation	-		-	-
Claims liability	-		229,544	229,544
Other liabilities	27,316,324		-	27,316,324
Total liabilities	<u>\$ 200,894,361</u>		<u>\$ 3,807,678</u>	<u>\$ 204,702,039</u>
FUND EQUITY				
Investment in general fixed assets	\$ 170,425,558		\$ -	\$ 170,425,558
Contributed capital	7,046,092		-	7,046,092
Retained earnings	8,909,520		10,568,738	19,478,258
Fund balances:				
Reserved for	2,131,043		-	2,131,043
Unreserved	28,311,932		-	28,311,932
Total fund equity	<u>216,824,145</u>		<u>10,568,738</u>	<u>227,392,883</u>
Total liabilities and fund equity	<u>\$ 417,718,506</u>		<u>\$ 14,376,416</u>	<u>\$ 432,094,922</u>

CITY OF NORFOLK, VIRGINIA
NOTES TO COMBINED FINANCIAL STATEMENTS
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Condensed Financial Statements - Proprietary Fund Types and Other Component Units <i>Statement of Revenue, Expenses and Changes in Retained Earnings</i> For the Year Ended June 30, 2000			
	Norfolk Redevelopment and Housing Authority and other component units	The Hospital Authority of Norfolk	Total
Operating revenue	\$ 14,265,305	\$ 18,076,473	\$ 32,341,778
Operating expenses:			
Certain operating expenses	10,892,966	17,364,792	28,257,758
Bad debt expense	146,064	750,000	896,064
Depreciation	2,499,029	919,610	3,418,639
Total operating expenses	13,538,059	19,034,402	32,572,461
Operating income (loss)	727,246	(957,929)	(230,683)
Non-operating revenue (expenses):	(2,064,942)	292,294	(1,772,648)
Net income (loss)	(1,337,696)	(665,635)	(2,003,331)
Retained earnings, beginning of year	10,247,216	11,234,373	21,481,589
Retained earnings, end of year	\$ 8,909,520	\$ 10,568,738	\$ 19,478,258

CITY OF NORFOLK, VIRGINIA
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Condensed Financial Statement - Norfolk Redevelopment and Housing Authority - Governmental Funds <i>Statement of Revenue, Expenditures and Changes in Fund Balance</i> For the Year Ended June 30, 2000	
	Total Governmental Fund Types
Revenues:	
Total revenue	\$ 75,633,318
Other financing sources:	
Proceeds from sale of fixed assets	1,822,340
Proceeds from notes payable	10,431,591
Operating transfers in	6,955,037
Total revenue and other financing sources	94,842,286
Expenditures:	
Operating and other	78,647,149
Capital outlay	4,751,201
Principal retirement	3,629,093
Loan fees	404,087
Interest and fiscal charges	4,038,923
Debt forgiveness	121,565
Community organization	548,113
Total expenditures	92,140,131
Other financing uses	
Operating transfers out	6,963,211
Total expenditures and other financing uses	99,103,342
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(4,261,056)
Fund balance, beginning of year	34,704,031
Fund balance, end of year	\$ 30,442,975

CITY OF NORFOLK, VIRGINIA
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June 30, 2000

XXXI. Subsequent Events:

2000 Master Equipment Lease and Option Agreement:

On various dates subsequent to June 30, 2000, the City financed acquisitions of computer and other equipment and software totaling \$926,776 at an average rate of 5.084 percent under the terms of its September 30, 1999 \$7,896,345 master equipment lease and option agreement and \$1,217,228 at an average rate of 6.33 percent under the terms of its November 4, 1998, \$5,818,671 master lease and option agreement.

2000 General Obligation Public Improvement Serial Qualified Redevelopment Bonds:

On July 15, 2000, the City issued \$3,995,000 General Obligation Public Improvement Serial Qualified Redevelopment Bonds, Series 2000.

2000 General Obligation Public Improvement Serial Bonds:

On July 15, 2000, the City issued \$18,025,000 General Obligation Public Improvement Serial Bonds, Series 2000.